



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CASEY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CASEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Casey County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$83,703 from the prior fiscal year, resulting in a cash surplus of \$817,869 as of June 30, 2000. Revenues decreased by \$1,300,866 from the prior year and disbursements decreased by \$1,485,220.

Report Comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Deposits:

As of June 30, 2000, the fiscal court's deposits were fully insured or collateralized by bank securities. However, as of August 31, 1999, the fiscal court's deposits were uncollateralized by \$216,568. In addition as of August 31, 1999, the county did not have a written agreement with the depository institution securing the county's interest in the collateral. The county subsequently obtained a written agreement on December 3, 1999.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Casey County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Casey County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Casey County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Casey County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2001 on our consideration of Casey County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 21, 2001

CASEY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Ronald D. Wright	County Judge/Executive
Jeffrey Thomas	Magistrate
Gary Johnson	Magistrate
Herbert "Creech" Carman	Magistrate
Tony Buis	Magistrate

Other Elected Officials:

Thomas M. Weddle	County Attorney
Thomas Miller	Jailer
Eva S. Miller	County Clerk
Nina R. Overstreet	Circuit Court Clerk
Robert M. Weddle	Sheriff
Johnnie Beard, Jr.	Property Valuation Administrator
Thomas Clark	Coroner

Appointed Personnel:

Tony M. Price	County Treasurer
Sharon Mason	Occupational Tax Collector

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CASEY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets

General Fund Type

General Fund:			
Cash	\$	261,912	
Road and Bridge Fund:			
Cash		101,449	
Jail Fund:			
Cash		337	
Local Government Economic Assistance Fund:			
Cash		20,948	
Juvenile Justice Center Fund:			
Cash		363,828	
Payroll Revolving Account - Cash		<u>10,258</u>	\$ 758,732

Special Revenue Fund Type

911 Fund:			
Cash	\$	61,907	
911 Grant Fund:			
Cash		2,878	
Sheriff's Grant Fund:			
Cash		<u>4,610</u>	<u>69,395</u>
Total Assets			<u>\$ 828,127</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

Payroll Revolving Account - Cash	\$	10,258
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Fund Balances

Reserved:

General Fund Type

Juvenile Justice Center Fund	\$	363,828
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Special Revenue Fund Type

911 Fund	61,907	
911 Grant Fund	2,878	
Sheriff's Grant Fund	<u>4,610</u>	433,223

Unreserved:

General Fund Type

General Fund	\$	261,912
Road and Bridge Fund		101,449
Jail Fund		337
Local Government Economic Assistance Fund		<u>20,948</u>
		<u>384,646</u>
Total Liabilities and Fund Balances	\$	<u><u>828,127</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CASEY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,306,952	\$ 938,877	\$ 1,111,365	\$ 58,791
Transfers In	519,143	70,000		233,500
Kentucky Advance Revenue Program	922,265	565,185	357,080	
Total Cash Receipts	<u>\$ 3,748,360</u>	<u>\$ 1,574,062</u>	<u>\$ 1,468,445</u>	<u>\$ 292,291</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,223,249	\$ 728,724	\$ 980,362	\$ 295,354
Transfers Out	519,143	243,229	35,000	
Kentucky Advance Revenue Program Repaid	922,265	565,185	357,080	
Total Cash Disbursements	<u>\$ 3,664,657</u>	<u>\$ 1,537,138</u>	<u>\$ 1,372,442</u>	<u>\$ 295,354</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 83,703	\$ 36,924	\$ 96,003	\$ (3,063)
Cash Balance - July 1, 1999	<u>734,166</u>	<u>224,988</u>	<u>5,446</u>	<u>3,400</u>
Cash Balance - June 30, 2000	<u><u>\$ 817,869</u></u>	<u><u>\$ 261,912</u></u>	<u><u>\$ 101,449</u></u>	<u><u>\$ 337</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types			Special Revenue Fund Type		
Local Government Economic Assistance Fund	Juvenile Justice Center Fund	Community Development Block Grant Fund	911 Fund	911 Grant Fund	Sheriff's Grant Fund
\$ 8,546	\$ 5,429 9,729	\$ 35,000	\$ 144,334 103,638	\$ 102,276	\$ 4,610
\$ 8,546	\$ 15,158	\$ 35,000	\$ 247,972	\$ 102,276	\$ 4,610
\$ 10,000	\$	\$ 35,000	\$ 110,773 102,276	\$ 63,036 138,638	\$
\$ 10,000	\$ 0	\$ 35,000	\$ 213,049	\$ 201,674	\$ 0
\$ (1,454) 22,402	\$ 15,158 348,670	\$ 0 0	\$ 34,923 26,984	\$ (99,398) 102,276	\$ 4,610 0
\$ 20,948	\$ 363,828	\$ 0	\$ 61,907	\$ 2,878	\$ 4,610

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Casey County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Casey County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky Constitution provides for election of the above officials from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Casey County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Casey County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and Juvenile Justice Center Fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund, the 911 Fund, the 911 Grant Fund, and the Sheriff's Grant Fund of the Fiscal Court are reported as Special Revenue Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Casey County budget is adopted on a modified cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the East Casey County Water District is considered a related organization of Casey County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond. However, as of August 31, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral. The county subsequently obtained a written agreement on December 3, 1999.

CASEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 1999:

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 1,639,614
Uncollateralized and uninsured	<u>216,568</u>
Total	<u><u>\$ 1,856,182</u></u>

Note 4. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

<u>Description</u>	<u>Annual Payment</u>	<u>Terms of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance June 30, 2000</u>
16 Electronic Voting Machines	\$30,074	3 Years	7/5/2000	\$28,368

Note 5. Related Party Transactions

The fiscal court paid \$12,592 to Wright's Implement for road maintenance supplies and backhoe rental payments. Wright's Implement is owned by the County Judge/Executive's sister and sister-in-law. The county's code of ethics states "no county officer, county employee, or immediate family member of the officer or employee, shall have an interest in a business, or engage in any business, transaction, or activity, which is in substantial conflict with the proper discharge of the public duties of the officer or employee." It further defines "immediate family member" as spouse, child, or person claimed as dependent for tax purposes. The County Judge/Executive removed himself from fiscal court meetings that involved Wright's Implement transactions. On February 21, 2000, the Casey County Board of Ethics issued an Advisory Opinion stating there was no violation of the code.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 2000, Casey County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

During the fiscal year ended June 30, 2000, there was no activity in the Casey County Jail Canteen Fund as the Casey County Jail had been closed since May 1997. On June 30, 1999 and June 30, 2000, the Casey County Jail Canteen Fund had an ending balance of \$1,347.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CASEY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,282,037	\$ 938,877	\$ (343,160)
Road and Bridge Fund	1,112,438	1,111,365	(1,073)
Jail Fund	52,004	58,791	6,787
Local Government Economic Assistance Fund	5,562	8,546	2,984
Juvenile Justice Center Fund		5,429	5,429
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	35,000	35,000	
911 Fund	217,432	144,334	(73,098)
Totals	<u>\$ 2,704,473</u>	<u>\$ 2,302,342</u>	<u>\$ (402,131)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,704,473
Add: Budgeted Prior Year Surplus			<u>716,395</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,420,868</u>

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SCHEDULE OF OPERATING REVENUE

CASEY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

		GOVERNMENTAL FUND TYPES	
		Totals (Memorandum Only)	Special Revenue Fund Type
		General Fund Type	
REVENUE:			
Taxes	\$ 730,298	\$ 606,412	\$ 123,886
Excess Fees	60,024	60,024	
License and Permits	19,034	19,034	
Intergovernmental Revenues	1,398,159	1,340,305	57,854
Charges for Services	10,267	10,267	
Miscellaneous Revenues	40,159	40,067	92
Interest Earned	49,011	46,899	2,112
Total Operating Revenue	<u>\$ 2,306,952</u>	<u>\$ 2,123,008</u>	<u>\$ 183,944</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CASEY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 484,674	\$ 440,304	\$ 44,370
Protection to Persons and Property	1,134,332	372,345	761,987
General Health and Sanitation	48,824	26,473	22,351
Roads	905,251	892,402	12,849
Debt Service	18,150	16,690	1,460
Administration	460,205	266,226	193,979
Total Operating Budget - All General Fund Types	\$ 3,051,436	\$ 2,014,440	\$ 1,036,996
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	922,265	922,265	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 3,973,701</u>	<u>\$ 2,936,705</u>	<u>\$ 1,036,996</u>

CASEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 334,432	\$ 173,809	\$ 160,623
Capital Projects	35,000	35,000	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 369,432</u>	<u>\$ 208,809</u>	<u>\$ 160,623</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Ronald D. Wright, Casey County Judge/Executive

Members of the Casey County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Casey County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated February 21, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Casey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Casey County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 21, 2001

COMMENTS AND RECOMMENDATIONS

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On August 31, 1999, \$216,568 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$300,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive's Response:

I was unaware that our accounts exceeded our pledge of securities. This problem has been corrected.

PRIOR YEAR FINDINGS

In the prior year, we reported the county did not have a written agreement with the depository institution to protect deposits. We further noted this finding was subsequently corrected on December 3, 1999; however, as of the tested date of August 31, 1999, the written agreement had not been obtained and is therefore, reported above.

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CASEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

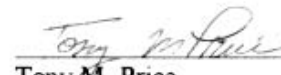
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CASEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Ronald D. Wright
County Judge/Executive



Tony M. Price
County Treasurer